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FINANCIAL STATEMENTS

Town of Hatley, Mississippi

For the year ended
September 30, 2004

TOWN OF HATLEY, MISSISSIPPI
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**FRANKS,
FRANKS &
JARRELL, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES

Honorable Mayor and Board of Aldermen
Town of Hatley, Mississippi

We have applied certain agreed-upon procedures, as discussed below, to the accounting records of the Town of Hatley, Mississippi, as of September 30, 2004, and for the year then ended, as required by the Office of the State Auditor, under the provisions of Section 21-35-31, Miss. Code Ann. (1972). It is understood the report is solely for the use of the governing body of the Town of Hatley, Mississippi, and the Office of the State Auditor and should not be used for any other purposes. Our procedures and findings are as follows:

1. We reconciled cash on deposit with the following banks to balances in the respective general ledger accounts and obtained confirmation of the related balances from the banks:

<u>Bank</u>	<u>Fund</u>	<u>Balance Per General Ledger</u>
Peoples Bank & Trust Co.	General Fund	\$ 20,956
Amory Federal Savings	General Fund	30,000
Peoples Bank & Trust Co.	General Fund	75
Peoples Bank & Trust Co.	General Fund	<u>1,090</u>
Total General Fund		<u>\$ 52,121</u>
Amory Federal Savings	Special Revenue	\$ 18,536
Peoples Bank & Trust Co.	Special Revenue	<u>19,789</u>
Total Special Revenue Fund		<u>\$ 38,325</u>
Peoples Bank & Trust Co.	Proprietary Fund	\$ 101,350
Amory Federal Savings	Proprietary Fund	16,669
Amory Federal Savings	Proprietary Fund	236,487
Amory Federal Savings	Proprietary Fund	136,234
Peoples Bank & Trust Co.	Proprietary Fund	<u>29</u>
Total Proprietary Fund		<u>\$ 490,769</u>

2. We performed the following procedures with respect to taxes on real and personal property levied during the fiscal year:
 - a. Verify use of certified county assessment rolls and trace levies to governing body minutes;
 - b. Examined uncollected taxes for proper handling, including tax sales;

- c. Traced distribution of taxes collected to proper funds; and
- d. Analyzed increase in taxes for most recent period for completion with increase limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972). The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad valorem tax collections were found to be within the limitations of Sections 27-39-320 to 27-39-323, Miss. Code Ann. (1972).

3. We obtained a statement of payments made by the Mississippi Department of Finance and Administration to the municipality. Payments indicated were traced to deposit in the respective bank accounts and recorded in the general ledger with no exceptions. Payments traced were as follows:

<u>Purpose</u>	<u>Receiving Fund</u>	<u>Amount</u>
Sales Tax Allocation	General Fund	\$ 6,230
Gasoline Tax	General Fund	1,279
TVA In Lieu	General Fund	3,339
Municipal Aid	General Fund	248
Fire Protection Allocation	General Fund	2,034
Homestead Exemption Reim	General Fund	1,548

4. We selected a sample of purchases made by the municipality during the fiscal year. Each sample item was evaluated for compliance with public purchasing requirements set forth in Sections 31-7-1, 31-7-13, 31-7-49, and 31-7-57 Miss. Code, 1972, Annotated, as applicable.

The sample consisted of the following:

Number of Sample Items	5
Dollar Value of Sample	\$ 65,623

We have found the Town of Hatley's purchasing procedures to be in agreement with the requirements of the above mentioned sections, except as follows:

The Town incurred one expenditure for fire equipment above the \$15,000 limit and obtained quotes instead of bids for the equipment.

5. We have read the Municipal Compliance Questionnaire completed by the Town. The following responses to the questionnaire indicate the following noncompliance with state requirements:
 1. The Town did perform an annual inventory of fixed assets and most assets that are required to be tagged are tagged. However, the Town does not have a complete Fixed Asset Inventory Ledger. Items missing from the ledger are dates assets were purchased and cost of the assets. (Section 7-7-211 - Municipal Audit and Accounting Guide)

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts or classes of transactions referred to above. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that the items specified in the proceeding paragraphs should be adjusted. Had we performed additional procedures or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, matters might have come to our attention that would have been reported to you. This report should not be associated with the financial statements of the Town of Hatley, Mississippi, for the year ended September 30, 2004

Franks, Franks & Jarrell, P.A.
Franks, Franks & Jarrell, P.A.
June 2, 2005



ACCOUNTANT'S COMPILATION REPORT

**FRANKS,
FRANKS &
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JONATHAN HAGOOD

Honorable Mayor and Board of Aldermen
Town of Hatley
Hatley, Mississippi

We have compiled the accompanying statement of cash receipts and disbursements - all fund types of the Town of Hatley, Mississippi, for the year ended September 30, 2004, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Town's officials. We have not audited or reviewed the accompanying statement of cash receipts and disbursements - all fund types and, accordingly, do not express an opinion or any other form of assurance on it.

The Town's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue is recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. Accordingly, the statement of cash receipts and disbursements - all fund types is not intended to present results of operations, in conformity with generally accepted accounting principles.

The Town's management has elected to omit substantially all of the disclosures ordinarily included in a financial statement prepared on the cash basis of accounting. If the omitted disclosures were included, they might influence the user's conclusions about the Town's cash receipts and disbursements. Accordingly, this financial statement is not designed for those who are not informed about such matters.

The supplementary information contained on pages 8 through 10 is presented for purposes of additional analysis and has been compiled by us from information that is the representation of the officials of the Town of Hatley, Mississippi, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

Franks, Franks & Jarrell, P.A.

Franks, Franks & Jarrell, P. A.
June 2, 2005

OFFICES LOCATED IN

TUPELO, FULTON & AMORY

MEMBERS OF THE

AICPA & MSCPA

TOWN OF HATLEY, MISSISSIPPI
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ALL FUND TYPES
For the year ended September 30, 2004

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Proprietary Fund	
<u>CASH RECEIPTS</u>				
Property Taxes	\$ 23,208	\$ 377	\$	\$ 23,585
Franchise Tax on Utilities	7,259			7,259
Privilege Tax Revenue	133			133
Auto Ad Valorem Tax	16,233			16,233
Intergovernmental Revenues:				
State Shared Revenues:				
General Municipal Aid	248			248
Sales Tax	6,230			6,230
Gasoline Tax	1,279			1,279
TVA In Lieu of Tax	3,339			3,339
Homestead Exemption Reimbursement	1,548			1,548
Homeland Security Grant		6,393		6,393
Fire Protection		2,034		2,034
Charges for Services:				
Water System			173,184	173,184
Solid Waste Income			19,820	19,820
Fines and Forfeits:				
Police Fines	10,151			10,151
Miscellaneous Receipts:				
Interest Income	717	426	8,085	9,228
Donations		1,405		1,405
Customer Deposits			1,411	1,411
Transfers	(4,094)	1,847	2,247	0
Other Income	1,392	5,000	1,469	7,861
Total Cash Receipts	67,643	17,482	206,216	291,341
<u>CASH OPERATING DISBURSEMENTS</u>				
General Administration and Finance	33,057			33,057
Public Safety: Police	18,287			18,287
Public Works		7,146		7,146
Enterprise: Water			109,350	109,350
Total Cash Operating Disbursements	51,344	7,146	109,350	167,840
<u>Other Cash Disbursements</u>				
Loans Repaid:				
Farmer's Home Administration & CAP Loans:				
Principal			34,501	34,501
Interest			21,778	21,778
Proceeds from Debt Issuance			(94,542)	(94,542)
Capital Outlay	1,145	9,471	100,078	110,694
Total Other Cash Disbursements	1,145	9,471	61,815	72,431
Total Cash Disbursements	52,489	16,617	171,165	240,271
Excess (Deficiency) of Cash Receipts Over Cash Disbursements	15,154	865	35,051	51,070
Cash Balance-Beginning of Year	36,967	37,460	455,718	530,145
Cash Balance - End of year	\$ 52,121	\$ 38,325	\$ 490,769	\$ 581,215

See accompanying selected information and accountant's compilation report.

Town of Hatley, Mississippi
SELECTED INFORMATION-Substantially all disclosures required
by generally accepted accounting principles are not included
September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

Reporting Entity

The financial statement of the Town includes all the funds of the Town.

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity.

Basis of Accounting

The financial statement has been prepared on the cash receipts and disbursements basis, as prescribed by the Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

NOTE B - REPORT CLASSIFICATIONS

Receipts and disbursements were classified according to requirements for small towns in the state of Mississippi as prescribed by the Office of the State Auditor.

NOTE C - LONG-TERM DEBT

The annual requirements to amortize all debt outstanding as of September 30, 2004, including interest payments of \$123,593 are as follows:

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>CAP</u> <u>Loans</u>	<u>Farmer's Home</u> <u>Administration</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 16,096	\$ 13,884	\$ 19,000	\$ 48,980
2006	16,781	11,931	17,208	45,920
2007	17,495	13,067	15,359	45,921
2008	18,239	14,310	13,371	45,920
2009	19,015	15,672	11,233	45,920
2010 - 2014	<u>43,465</u>	<u>89,893</u>	<u>21,852</u>	<u>155,210</u>
	<u>\$ 131,091</u>	<u>\$ 158,757</u>	<u>\$ 98,023</u>	<u>\$ 387,871</u>

The Town does not maintain any debt service funds to service the above notes.

Town of Hatley, Mississippi
SELECTED INFORMATION-Substantially all disclosures required
by generally accepted accounting principles are not included
September 30, 2004

NOTE D – WATER SYSTEM IMPROVEMENT LOAN

On February 4, 2004, the Town entered into a Drinking Water Systems Improvement Revolving Loan Agreement with the State of Mississippi for the purpose of upgrading the Town's existing water system. As of September 30, 2004, the Town had borrowed \$94,542 of the total \$1,150,000 authorized. Subsequent to the fiscal year ended September 30, 2004, the Town borrowed an additional \$81,354 of the total funds available.

The loan bears interest at 4 percent per annum, compounded monthly. Repayment will begin upon the completion of the water system improvements, with any accrued interest added to the total outstanding principal balance at that time. The projected repayment schedule will consist of 237 monthly principal and interest payments of \$7,026.44. This repayment schedule is subject to revision based on the actual completion date of the project.

See accountant's compilation report.

TOWN OF HATLEY, MISSISSIPPI
SCHEDULE OF INVESTMENTS
September 30, 2004

Governmental Fund Types

General Fund:

General Fund - Certificate of Deposit \$ 30,000

Special Revenue Fund:

Fire Department - Certificate of Deposit 18,536

Total Governmental Fund Types 48,536

Proprietary Fund Type

Water Fund - Certificate of Deposit 236,487

Water Fund - Certificate of Deposit 136,234

Water Fund - Certificate of Deposit 16,669

Total Proprietary Fund Type 389,390

Total Investments \$ 437,926

See accountant's compilation report

TOWN OF HATLEY, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR TOWN OFFICIALS
September 30, 2004

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Don Meredith	Police Officer	Western Surety Company	\$25,000
Pat Holloway	Assistant Clerk	Western Surety Company	\$10,000
Jimmy Pipkins	Police Officer	Western Surety Company	\$25,000
Lee Ann Davidson	City Clerk	Western Surety Company	\$50,000
Steve Hunt	Chief of Police	Western Surety Company	\$50,000
Alexander Collins	Police Officer	Western Surety Company	\$25,000
Virginia Harrison	Alderman	United States Fidelity & Guaranty Company	\$2,500
Joe Benton	Alderman	United States Fidelity & Guaranty Company	\$2,500
Gary Johnson	Alderman	United States Fidelity & Guaranty Company	\$2,500
Jacky Schwartz	Alderman	United States Fidelity & Guaranty Company	\$2,500
Tony Hester	Alderman	United States Fidelity & Guaranty Company	\$2,500

See accountant's compilation report.

TOWN OF HATLEY, MISSISSIPPI
SCHEDULE OF LONG-TERM DEBT
For the year ended September 30, 2004

<u>DEFINITION AND PURPOSE</u>	<u>BALANCE OUTSTANDING OCTOBER 1, 2003</u>	<u>TRANSACTIONS DURING THE FISCAL YEAR REDEEMED/ (BORROWED)</u>	<u>BALANCE OUTSTANDING SEPTEMBER 30, 2004</u>
Notes Payable:			
Farmer's Home Administration #3	\$ 11,231	\$ 8,241	\$ 2,990
Farmer's Home Administration #4	166,788	11,021	155,767
CAP Loan #1	123,559	12,867	110,692
CAP Loan #2	<u>22,771</u>	<u>2,372</u>	<u>20,399</u>
TOTAL	\$ <u>324,349</u>	\$ <u>34,501</u>	\$ <u>289,848</u>
Notes not in Repayment:			
RLF Water Improvement Loan	\$ <u>0</u>	\$ <u>(94,542)</u>	\$ <u>94,542</u>

See accountant's compilation report.